Sustainability Report 2014

5th Anniversary Celebration

Smart

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About this **Report**

The year 2014 marked the fifth anniversary of our operations. Those five years have seen a rapid growth in our network coverage, subscriber base and financial performance as we grew from modest beginnings to become the second biggest mobile operator in the country. As a telecommunications company, we form an important part of the economic and social infrastructure of the country; five years have been more than enough for us to have made a difference on a nationwide scale.

Our fifth anniversary is an appropriate time for us to look back and try to assess the difference and impact we have made on the life of the Nation. This is what we have tried to do in this report. It discusses our contribution to Cambodian society and the Nation's economic development, through our commercial activities, the products and services we provide and the changing lifestyles they support as well as through our corporate social responsibility initiatives. It looks at how we create value for our customers, employees and other stakeholders and how we can increase and sustain this value generation over the long-term.

Although this is Smart Axiata's first-ever stand-alone sustainability report, the story it tells is one of a long-standing commitment to be a responsible enterprise with good governance and exemplary triple bottom line stewardship. It describes how we preserve and burnish our corporate standing and reputation; how we continue to meet or exceed the expectations of our customers and employees; how we enhance stakeholder inclusiveness, improve investor relations and understanding as well as promote social and environmental sustainability in and through our operations.

The Scope and Boundary of this Report

This report covers and is limited to all entities and operations owned by Smart Axiata Company Limited.

The principal focus of the report is on operations in 2014. However, since it is the first of its kind, the report will also provide background information and historic details as necessary in order to throw light on our operations during the year under review.

Message from the **Chief Executive Officer**

Going beyond straightforward commercial considerations, **we make our platform, products and services available to underserved groups and communities** despite the high investment costs and relatively modest returns involved.

Dear Stakeholders,

In five years, Smart Axiata, Cambodia's premier mobile telecommunications and data provider has grown from modest beginnings into a key player in the national telecommunication scene.

Our subscriber base grew 23% during 2014 and in volume, is almost half the population of the country.

It is a special pleasure addressing you at the end of our maiden five-year period of operations. We believe it to be opportune to look back and take stock, not just of what we have achieved financially and technologically, but of the broader impact the Company has had on society and the nation as well – hence this publication, our first annual Sustainability Report.

Publishing a sustainability report takes us a step further towards our goal of clear and transparent reporting. No great change of culture was necessary in order to do this; it has always been our goal to combine business success with good social and environmental citizenship.

In 2014, we made a quantum leap in network technology, becoming the first and only 4G LTE operator in Cambodia, providing true 4G LTE services. 4G LTE permits data transfer at speed twelve times faster than 3G. Our growing 4G network now covers 25 provinces in Cambodia. Our leadership in 4G LTE has been the key to securing market leadership for ourselves in the data category; we now support over 2 million mobile data connections. This is technology that keeps its promises: independent figures from Ookla Net Index identifies us as the fastest mobile data provider in the country.

Leveraging cutting-edge technology, we offer products that are affordable, innovative and inclusive, so that Cambodians from all walks of life can find products or service packages suited to their needs and budget. In the year under review, we introduced the Super 40 Plan, creating an exciting and relevant addition to our range of highly affordable products and promotions. On the other hand, an extensive network of roaming partners allows us to move beyond basic carrier services and extending our reach worldwide.

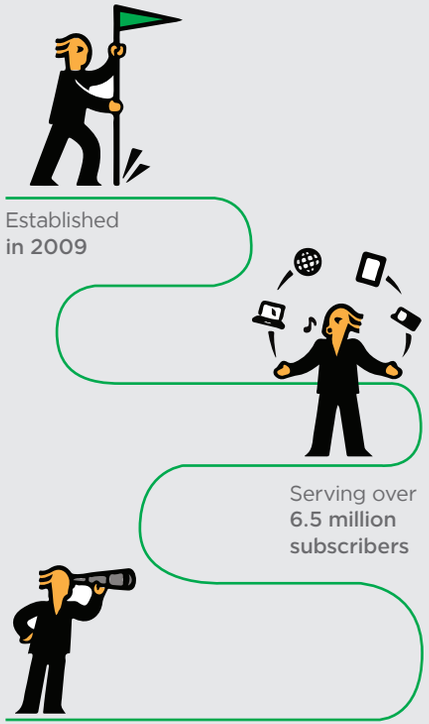
The collaborative partnerships we have entered into with Forte Insurance (Cambodia) PLC and BIMA, allow us to offer mobile insurance services to our subscribers. The convenience of instantly available, affordable insurance coverage is already proving to be a significant success factor for the Company.

Another first in 2014 was the partnership we entered into with Apple Inc., which makes us the only authorised mobile operator to retail Apple products in Cambodia. Our relationship with Apple gives us the exclusive right to offer iPhone and iPad bundle packages in Cambodia.

Meanwhile, we also entered the entertainment arena through our partnership with Universal Music, owner of one of the world's largest catalogues of original music, whose titles we have now made legally available for streaming and download in Cambodia through the relevant sublicensing processes. As a result of this move, Cambodians are able to access some of the world's greatest and most popular music and no longer need to suffer the risks and technical drawbacks that beset illegal downloads. Also, the Company as an exclusive partner enjoys exclusive rights to distribute and resell Universal Music content in Cambodia.

At the same time, we have not ignored or forgotten to support original Cambodian music and musicians. In 2014, we held the Smart Mega Concert series; events have now been held in all 25 provinces across Cambodia.

Message from the **Chief Executive Officer**



Our Approach to Sustainability

Smart's Parent, Axiata Group has a philosophy of sustainability built upon four pillars. Smart thus adheres to the precepts - Beyond Short-term Profits; Nurturing People; Process Excellence and Planet and Society.

We pursue the philosophy of going beyond short-term profits by investing for the long-term which is manifested in our efforts to promote 'digital inclusion'. Overall, our economic contribution in 2014 amounted to USD 254 Mn, or about 1.5% of national GDP. Having paid USD 117.6 Mn in taxes, levies and fees during the period 2008 to 2014, makes us one of the biggest taxpayers in Cambodia. We also benefited the nation to the tune of more than 66,000 direct and indirect job opportunities created.

Speaking of job opportunities brings me to the second of our four pillars, nurturing people. We do all we can to ensure that working at or for Smart is an enabling, empowering experience that profits the employee both materially and in various other ways. We strive to exceed the norm; we foster talent development – and gender parity – and enshrine employee welfare and the provision of equal opportunities for all as a core precept. Being part of Axiata Group, its development programme helps to provide our Cambodian staff the opportunity to serve abroad, while the International Axiata Champions Programme raises the bar for achievement and helps promote exceptional performance. Under Smart's and Axiata's Talent Programme we nurture future leaders through inclusive training, coaching and experience gaining programmes.

We strive for excellence in all our processes, from governance to customer service, from procurement procedures to supplier relationships. We help improve our suppliers' performance and broaden their competencies by sharing best practices with them. Customer relationships are enhanced by state-of-the-art Smart Shops and retailer outlets open 365 days a year, and by our free to call centre, which deals quickly and effectively with customer inquiries and complaints.

Our network of more than 1,700 base stations is responsible for the bulk of our impact upon the environment. We work continually to reduce energy consumption and carbon emissions by installing the most efficient new technologies and using renewable energy wherever sources are available. Our energy management record, CSR programmes and other social activities testify to a genuine and ongoing commitment to sustainability. Most of our CSR programmes are related to internet education support, environment, sports and the promotion of healthy

lifestyles. I would like to close by thanking you for your interest in our sustainability efforts, and look forward to receiving your feedback concerning this report, and any suggestions you may have for improving the sustainability of our enterprise.

Yours Sincerely,
Thomas Hundt

Our **Story**

2009

February
Smart Mobile was established as the number 8 telecommunication company in the country when it officially opened to serve Cambodians.

October
Smart came up with the most affordable package for Cambodians by launching Smart WOW!! that gave out Free talktime minutes (up to 30 minutes per day) upon top-up.

2010

January
Smart Mobile launched the Xtralong tariff plan for customers to enjoy long validity and free SMS. Knowing the need of most Cambodians, Smart Mobile was the only Company that offers tariff plan with validity up to 1 year without top-up and providing 10 free SMS per day to suit customers' preferences.

October
The launch of Everyone Loves Smart attracted the attention of public at the same time the humorous commercial brought joy to Cambodians.

2011

January
The merger between Smart Mobile and Starcell became the first of its kind in Cambodia's Telco history. Smart became the third-largest mobile provider in Cambodia by successfully delivering quality services to 850,000 subscribers.

July
In order to supply an upgraded technology to Cambodians for better speed and higher quality Internet access, Smart Mobile was the first Telco to launch 3.75G technology.

December
Smart Mobile achieved coverage across all 25 provinces to serve everyone in the country to connect with each other.

2012

May
Smart upgraded to become the second largest mobile operator in Cambodia serving 3 million subscribers with our quality services in Cambodia.

July
Smart Xchange was launched to provide a more flexible subscriber package to serve customers of all walks of life. Through this plan, customers can exchange their credits against bulk airtime.

Our **Story**

2013

March
The merger between Smart Mobile and Hello Axiata brought Smart into the Axiata Family. This move has enlarged the subscriber base to over 5 million.

June
Smart initiated Smart Laor as a new tariff plan where customers can enjoy 500% bonus for every top-up. It was a new initiative providing a totally different plan from the former to offer more choices to the customers.

2014

January
Smart Axiata, the first and only provider in Cambodia, launched the true 4G LTE services. Customers in Cambodia enjoy a faster and advanced speed of Internet ahead of Thailand, Vietnam and Laos.

February
Smart Axiata upgraded Smart Laor to offer a 1000% bonus on every third top-up for the customers to benefit even more from this tariff plan.

May
Smart Axiata came up with the Super 40 Plan for customer to enjoy up to 40 minutes free talktime daily upon top-up.

July
Smart's official partnership with Apple, allows us to be the only mobile operator to offer iPhones to our customers in Cambodia.

August
Smart Axiata took a great leap forward to collaborate with Forte Insurance (Cambodia) PLC and BIMA to offer Smart Life Insurance services. It is an advanced move in Cambodia, in many areas, Smart Life is the only insurance locally and conveniently available where we provide protection to more than 20,000 people in Cambodia by the end of 2014.

October
Smart Axiata entered into an exclusive partnership with Universal Music in Cambodia, bringing world-class entertainment experiences to our subscribers and franchises. We have now made a large catalogue of original music legally available for streaming and downloading in Cambodia.

December
By the end of 2014, we served 6.5 million subscribers all over Cambodia.

Core **Values**

CORE **VALUES**

Uncompromising Integrity

Highest ethical standards
No tolerance for unethical conduct

- We are honest and people can trust us to be truthful and not misleading.
- We are fair towards everyone, regardless of their status, gender, religion, age and personal relationship with us.
- We always safeguard the Interest of the Company.
- We comply with the laws, regulations and policies governing our business.
- We have zero tolerance towards corruption in any form. We do neither, no matter what, request, accept nor offer any improper advantages such as bribes, excessive gifts, excessive entertainment, kickbacks, future employments, future promises or any personal benefit from/to third parties or persons.

Exceptional Performance

Highest level of performance – with a heart for people

- We demand a high-level of performance from ourselves and from everyone we work with.
- We benchmark our performance rigorously with the very best and strive to improve ourselves.
- We challenge the status quo and embrace change to make things better.
- We are determined to win, whilst we are compassionate with people.
- We permanently strive to exceed expectations.

Accountability

Responsibility, actions, solutions, outcome

- We are accountable for our performance and therewith for the outcome of ourselves.
- We fully accept our responsibilities and we contribute to the Company's success.
- We make decisions and take actions to ensure correct behaviours and positive results for the Company.
- We deliver what we commit.
- 'We can do, we will do' is our motto to make things happen. We are actively seeking solutions for problems.

Customer Focus

Customer needs, services quality, speed

- We acknowledge that our customers pay our salary, accordingly, we deliver best in class customer experience to both external and internal customers.
- We understand customer needs and strive to deliver beyond their expectations.
- We pursue excellence in all we do to win the hearts of customers.
- We provide exceptional services and speedy solutions to customers.
- We keep our promise towards customers.

Teamwork

Communication, diversity, openness, respect, support

- We take pride in winning together as One Smart Team.
- We openly and proactively share knowledge, skills, experience and information to ensure our team succeeds.
- We demonstrate trust, respect, honesty, integrity, hard work and sense of responsibilities in diverse working environments.
- We communicate constructively by expressing thoughts and ideas openly, clearly, directly and we listen actively to others in the team.
- We fight as a team, we play as a team, we win as a team!

Stakeholder
Engagement and Materiality

STAKEHOLDER ENGAGEMENT AND MATERIALITY

Stakeholder Group	Type of Engagement	Frequency	Focus Areas
Customers	Free 24/7 call centre Live chat Customer satisfaction survey	Ongoing Ongoing Annually	Customer experience and satisfaction, product affordability and network availability
Employees	Employee engagement survey by Towers Watson (Independent research agency) Town Hall Meetings Feedback box	Annually Quarterly Ongoing	Career development, employee feedback, employee communications
Shareholders	Annual General Meeting (AGM) Investor Roadshows Meetings with the Top 100 Investors Analyst Meetings	Ongoing Through Axiata	Business performance and strategy Social responsibility initiatives
Regulators and Government Authorities	Compliance with Ministry of Posts and Telecommunications (MPTC) Compliance with Telecommunications Regulator of Cambodia (TRC)	Ongoing	Actively engaged with MPTC and TRC in shaping the boundaries and foundation for a flourishing telecommunication industry in Cambodia.
Suppliers	Bidding process Supplier code of conduct Bid clarification	Ongoing	Negotiation practices for price, payment, delivery time and warranty. Supplier management
Media	Media releases/conferences/ interview Media engagement	Ongoing Quarterly	Company performance, strategy, future business aspiration, company credibility.
Community	CSR programme: AIESEC, JCI, UNDP, NGOs, ministries, universities Axiata's sustainability programmes	Ongoing	Social requirements and specific feedback on programmes

Smart Approach to **Sustainability**

Beyond Short-Term Profits

Our focus has always been on the long-term. Our investments have made significant contribution to the country's economy. Our digital services have created value beyond commercial motivation.

Taxpayer

Smart is one of the largest taxpayers in Cambodia with a total tax bill of USD 117.6 Mn for the period 2008-2014. We have been able to contribute to national economic growth with such significance, simply by facilitating business communications and commercial activity.

GDP Contribution

Smart's contribution to the Cambodian economy in 2014 alone was USD 254 Mn or 1.5% of total GDP. Last year, 47% of our procurement was from locally registered vendors.

4G Technology

Smart is the first to put Cambodia on the 4G Map – ahead of Thailand, Vietnam and Laos. In providing supersonic internet speed, we facilitate business activity, education, entertainment and a myriad other activities to our customers.

Global Mobile Development

Smart has launched the iPhone 6 in exclusive collaboration with the Apple Company. Moreover, we also provide a range of products and services in partnership with third parties, including state organisations. Through these partnerships, our subscribers benefit from programmes such as The UN Famous Worker Programme, The National Election Hotline, The National Child Protection Hotline, The UN Volunteer and Education Programme and Mum Healthcare.

Smart Life Insurance

This is the first in a series of mobile insurance products that Smart and Bima Microinsurance will offer in partnership, developing an innovative and affordable approach to financial security for only 4 cents. Just in 4 months after launch, by the end of 2014, 20,000 Cambodian families are covered by Smart Life Insurance.

Nurturing People

We continually make available to our employees new opportunities for personal and professional growth.

Nurturing Future Leaders

Our training programmes help employees achieve personal growth and professional development, giving them the potential to provide leadership not just in Cambodia, but throughout the region. In order to give recognition to employees, we have the Axiata Champions' Awards to recognise exceptional performers within the Group and provide an opportunity for them to demonstrate their leadership capabilities. Employees across the Group compete every year based on the contribution they make to revenue generation, cost savings, process improvement, service and product innovation, spirit, motivation and level of engagement to be selected for the Champions' League.

Inclusivity

We build in various formal and informal channels for employee engagement and communications. In addition to thousands of daily engagements of this kind, all Smart employees have the opportunity to participate in the Axiata Group's annual Employee Engagement Survey (EES). Carried out by an independent third party, the survey helps us determine key drivers and improvement areas suggested by staff, focusing particularly on those which can be carried out in the forthcoming year.

Culture of Integrity

For internal communications, the Smart intranet supports sharing of information among employees and provides HR-related services on the desktop. Group e-mail keeps all departments in contact. We have also installed 'feedback boxes' on every floor of our headquarters building, in which employees may place their comments, complaints, queries and suggestions – anonymously if desired.

Conducive Workplace

Smart provides a conducive workplace for the employees. Smart employees enjoy pay, benefits and a working environment many other Cambodians would find enviable. Wages, irrespective of gender, are high in relation to the national wage structure. Both full-time and part-time employees enjoy Group personal accident insurance, annual, special and sick leave, as well as overtime pay, telephone allowances and contributions (as mandated) to the national social-security funds. In fact, all employees enjoy equal opportunity.

Diversity and Equal Opportunity

Our policy is to fill every vacancy with the person who best qualifies in terms of the job specification, irrespective of age, gender, ethnicity, religion or any other non-relevant consideration. There were no reported instances of workplace injuries or occupational disease in the year under review.

Our Smart Team

Local	
Full-time	
Permanent	404
Temporary	109
Part-time	16
Full-time	
Permanent	13
Temporary	0
Part-time	0
Non-Local	

Local	
Full-time	
Permanent	209
Temporary	52
Part-time	8
Full-time	
Permanent	0
Temporary	0
Part-time	0
Non-Local	

A Diverse Workforce

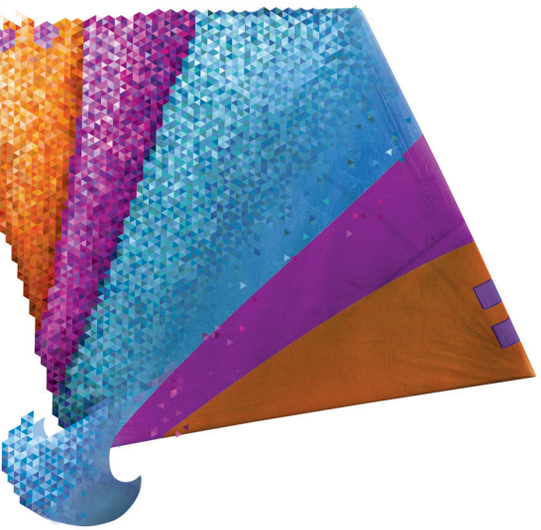
Age	
< 20	4
20 - 29	324
30 - 39	186
40 - 49	25
50 - 59	2
>60	1

Age	
< 20	11
20 - 29	209
30 - 39	48
40 - 49	1
50 - 59	0
>60	0

Smart Approach to **Sustainability**

Process Excellence

Established common standards ensure that sustainability practices are adopted all along our supply chain.



We take all possible measures to influence and engage our vendors, helping them conform to our requirements with respect to sustainability. We focus on improving our role in developing our retailers. Customer experience is a key aspect in each of our markets, with individual KPIs set to track the progress made. We are currently in the process of setting a group-wide target to digitise our operations where possible.

Best Practices along the Value Chain

Since the 2013 merger that brought Smart into the Axiata Group, our procurement process has become even more streamlined. Procurement staff are now encouraged to pursue synergised cost-to-price comparisons amongst supplier companies in order to optimise supply chain operations. This procurement process is aligned to Company policy and Limits of Authority (LOA). The Axiata procurement process balances efficiency and just-in-time supply considerations with the demands of ethical business conduct and the importance of good vendor relationships. The process is mainly designed to define the main principles of the procurement process and to understand the principles and policies governing procurement. It also helps to define our Code of Conduct vis-à-vis suppliers. At the same time, the process provides a proper guideline for the timely, cost-effective procurement of materials, equipment and services; adequate and dependable sourcing, focusing on quality, utility and total cost of ownership; judicious and ethical buying. The Axiata procurement process ensures transparency and visibility of all procurement activities and all procurement activities are carried out by procurement personnel.

Customer Centricity and Digitising Processes

Apart from actual product use, the customer's main interface with us is via our network of state-of-the-art Smart Shops and retailer outlets, which are open 365 days a year. Available from these outlets are pre-and post-paid voice and data packages, a variety of mobile devices and accessories, etc. In addition, Smart also maintains a free, round the clock, 365 days a year contact centre for customers, which handles inquiries, updates, complaints, etc. Our desire to understand and serve our customers better is exemplified by our annual nationwide survey, in which a large, representative sample of respondents are tapped to obtain feedback.

Strong Governance

As a member of the Axiata Group, Smart subscribes fully to the very comprehensive and effective Corporate Governance regime that prevails across all Group entities. For an integrated regional group like ours, deficiencies in good governance and the problems that arise from it are potentially international; it is therefore our practice to apply equivalent governance practices everywhere. The Axiata Group Annual Report for 2014 contains a detailed chapter on governance. See www.smart.com.kh for more information.

Planet and Society

Above and beyond the green commitment reflected in our own operations, we make active efforts to support and help develop environmental awareness and actions in the communities of which we are a part.

Promoting Youth Leadership

We have been entitled as the Champion Partner of AIESEC in Cambodia, a student youth organisation which aims to develop leadership through exchange. We have been supporting them both financially and in kind enabling 15 youth leadership conferences, 340 international exchanges, 12 local projects and 210 leadership experiences. Moreover, we are also supporting the Junior Chamber of Commerce International in Cambodia as a principal partner.

Responding to Humanitarian and Societal Need

Smart Axiata has committed to support a number of key initiatives of the Cambodian Red Cross (CRC) and we have made available USD 500,000 in each year 2013 and 2014 to help CRC provide urgent relief in the face of severe flooding that affected various parts of the country, causing loss of life, human displacement and widespread damage to agriculture, infrastructure, community assets and CRC's promotion of road safety.

Promoting Community Health and Welfare through Sports

We regularly sponsor a variety of sporting activities including golf, soccer, mountain biking, marathon and athletic events as means to develop community health, welfare and integration. In 2014, the main highlight of our sports calendar was the co-sponsorship of the Nineteenth Angkor Wat International Half Marathon organised by Cambodia's Tourism Ministry and the National Olympic Committee. This was a great success, succeeding in attracting 8,000 runners from 78 countries. Smart also supported the mountain bike event series with more than 300 active participants.

Greener Environment Projects

Above and beyond the green commitment reflected in our own operation, we also make active efforts to support and help develop environmental awareness and actions in the communities of which we are a part. The main highlights of the 2014 Green Calendar were tree-planting campaigns in Sihanoukville in partnership with JCI and again in Phnom Penh in collaboration with Pour un Sourire d'Enfant. Moreover, we were also involved actively with a beach-cleaning project in Sihanoukville in partnership with the Coca Cola Company. We are also the champion partner of AIESEC in Cambodia and a part sponsor of Meta House in educating the public on environmental issues through conferences, social projects and the Green Night events.

Energy Saving

Despite sponsoring institutions and organisations on protecting the environment, we want to lead by example. Improving energy efficiency is therefore, for us, the best way to reduce our environmental impact. Recently, we replaced conventional generator-sourced power with energy sourced from modular, self-contained and highly efficient power cube units. This move has made for lower operational expenditure, increased network availability, enhanced remote monitoring capability and a less intense operation and maintenance regime. Smart also developed solar panels to more than 100 sites to either partially or fully power the sites with green carbon emission free energy. Likewise, we have replaced conventional air conditioners with Eltex cooling box and fan cooling box technology and we have introduced sensors to our light technology, which allows for automatic light switching thereby reducing consumption and saving energy.

Smart **Initiative**

Mega Concert Series

We have initiated the Smart Mega Concert Series-70 shows across 25 provinces over 5 months, providing Cambodian audiences with a chance to watch their favourite performers, live, for free. An added attraction is the many prizes on offer. This highly-popular concert series is now one of our biggest brand builders. Furthermore, we have held a major Smart Concert in Phnom Penh in connection with the annual Water Festival for the entire three nights of its duration. Another highlight of the year's concert programme was the holding of simultaneous New Year's Eve concerts, featuring Cambodia's top entertainers in Phnom Penh and Sihanoukeville.

International Women's Day Concert

We also sponsored the International Women's Day Concert in collaboration with the Ministry of Women's Affairs – an event at which top Cambodian Stars performed, celebrating respect for women and women's economic, political and social achievement.

2014 Smart in **Numbers**

Subscriber base **grew by 23%**

66,000 incomes supported

1st 4G LTE provider in Cambodia

Revenue USD 179.6 Mn, an **increase of 36%**

811 Employees

6.5 million subscribers

Smart represents directly and indirectly **1.5% of the GDP of Cambodia**

USD 500,000 donated to CRC

Profit After Tax (PAT) USD 32.4 Mn, an **increase of 184%**

Capital Investment of **USD 56 Mn** in 2014

Network Coverage of 98% of the population

47% local procurement

70 Mega Concert shows in 25 provinces

EBITDA USD 76.1 Mn, an **increase of 61%**

Figures are as per 31st December 2014 in respect of financial year 2014

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